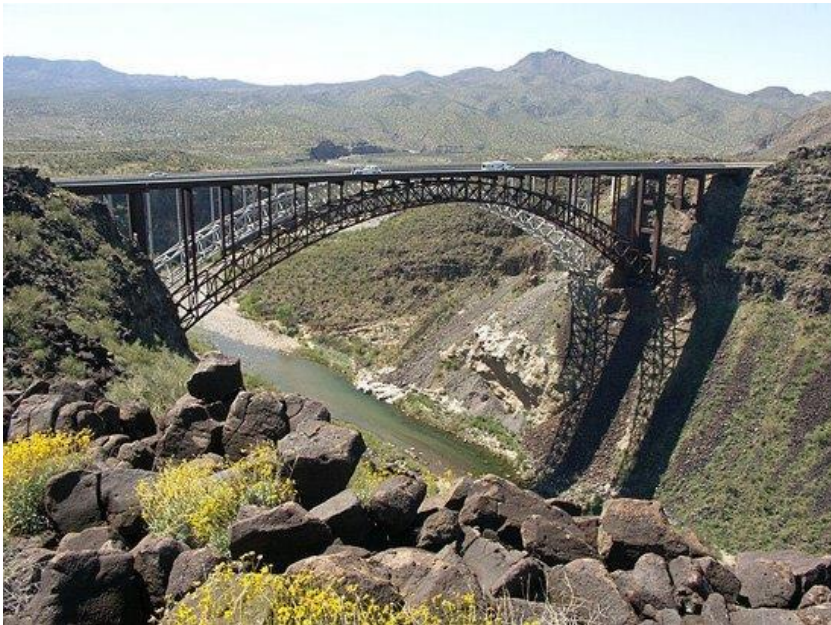


Arizona Department of Transportation 2015 Disparity Study Preliminary Results



ADOT 2015 Disparity Study Briefing

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Agenda

1. Research since 2014 Availability Study
2. Updated availability results
3. Federal regulations regarding setting an overall three-year DBE goal
4. DBE goals and neutral projections
5. Preliminary results of utilization and disparity analysis
6. Analysis of bids, proposals and procurement process
7. Overconcentration analysis and use of specific DBEs
8. Tentative meeting schedule

1(a). Research since 2014 Availability Study

- Analyzed contract data for state-, FAA- and FTA-funded contracts, and determined relevant geographic market area and worktypes
 - \$1.2 billion in state-funded contracts
 - \$19 million in FAA-funded contracts
 - \$17 million in FTA-funded contracts
- Refined data for FHWA-funded contracts (\$3.7 billion)
- Identified three additional types of work important to FAA- and FTA-funded contracts and conducted availability interviews with those firms
- Incorporated new information about potential DBEs from Donato Consulting follow-up interviews
- Identified race/ethnicity/gender ownership of utilized firms
- Performed additional in-depth personal interviews with businesses

1(b). Research since 2014 Availability Study (continued)

- Calculated base figure for FAA- and FTA-funded contracts and re-calculated base figure for FHWA-funded contracts
- Calculated utilization of MBEs (by group) and WBEs
- Compared utilization and availability (disparity analysis)
- Analyzed potential step-2 adjustments and developed preliminary projections of portion of overall DBE goals that might be attained through neutral means

1(c). Research since 2014 Availability Study (continued)

- From disparity study and other information, ADOT will need to make decisions concerning:
 - a. level of overall DBE goals for FHWA-, FAA- and FTA-funded contracts,
 - b. whether or not it will solely use neutral means to meet those goals,
 - c. if it uses contract goals, determine whether all DBE groups or just certain groups can be used to meet a goal (per *Western States Paving* decision)

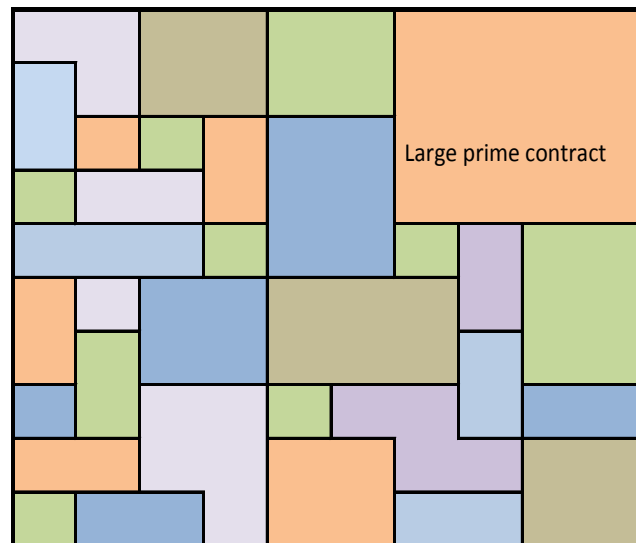
2.(a) MBE/WBE availability – “headcount”

Race/ethnicity and gender	Number of firms	Percent of firms
African American-owned	26	1.8 %
Asian-Pacific American-owned	19	1.3
Subcontinent Asian American-owned	18	1.3
Hispanic American-owned	189	13.2
Native American-owned	<u>37</u>	<u>2.6</u>
Total MBE	289	20.2 %
WBE (white women-owned)	<u>211</u>	<u>14.8</u>
Total MBE/WBE	500	35.0 %
Total majority-owned firms	<u>929</u>	<u>65.0</u>
Total firms	1,429	100.0 %

2(b). Analysis of MBE/WBE availability

- Collected information on firms available for different types of prime contracts and subcontracts through telephone interviews
- Then determined subset of firms that fit each contract/subcontract
- Divided number of MBE/WBEs available by total firms available
 - $62 \text{ MBE/WBEs} \div 144 \text{ total firms} = 43\% \text{ MBE/WBE availability for subcontract}$
- Weighted results for each prime/subcontract by \$ involved to calculate total

\$10,500 landscaping subcontract
on a 2013 local agency contract
in Central Arizona -
62 MBE/WBEs
144 total firms



Prime contracts and subcontracts
come in many types and sizes

2(c). Analysis of MBE/WBE availability – dollar weighted

Race/ethnicity and gender	FHWA	State	FAA	FTA
African American-owned	1.04 %	0.82 %	0.90 %	1.13 %
Asian-Pacific American-owned	0.36	0.30	1.25	0.95
Subcontinent Asian American-owned	0.97	0.80	1.79	1.46
Hispanic American-owned	5.24	4.11	9.33	18.89
Native American-owned	<u>1.98</u>	<u>3.55</u>	<u>3.55</u>	<u>2.25</u>
Total MBE	9.59 %	9.56 %	16.82 %	24.68 %
WBE (white women-owned)	<u>4.95</u>	<u>3.83</u>	<u>7.96</u>	<u>9.07</u>
Total MBE/WBE	14.53 %	13.39 %	24.78 %	33.75 %

3. Differences between overall DBE goal and a contract goal

	Overall DBE goal	Contract goal
Federal regulations	49 CFR Section 26.45	49 CFR Section 26.51(c)
How often set	Every three years	Each USDOT-funded contract
Process	Step 1 - Base figure Step 2 adjustment	Consider subcontracting opportunities, and availability of DBEs to perform that work considering location and types of work
Firms counted as DBEs	DBEs/potential DBEs	Current DBEs
Overall philosophy	Set at level “but for” any effects of discrimination	Set so that cumulatively meet overall DBE goal; must adjust use if overall DBE participation exceeding overall DBE goal; can be higher than overall DBE goal

4(a). Availability analysis – converting from MBE/WBE to potential DBE availability for FHWA-funded contracts

Calculation of base figure	FHWA
Total MBE/WBE	14.53 %
Less firms that graduated from the DBE Program or denied DBE certification in recent years or exceed revenue thresholds or report that do not qualify/not interested	<u>6.73</u>
Subtotal	7.80 %
Plus white male-owned DBEs	<u>1.10</u>
Current and potential DBEs	8.90 %

Note: Preliminary and subject to refinement

4(b). For discussion – possible overall DBE goal for FHWA-funded contracts and projection of neutral for FFY 2015 – FFY 2017

Component of overall DBE goal for FHWA FFY 2015-FFY 2017	Fall 2014	Spring 2015
Overall goal	9.38 %	8.90 %
Neutral projection	5.44	5.00
Race-conscious projection	3.94	3.90

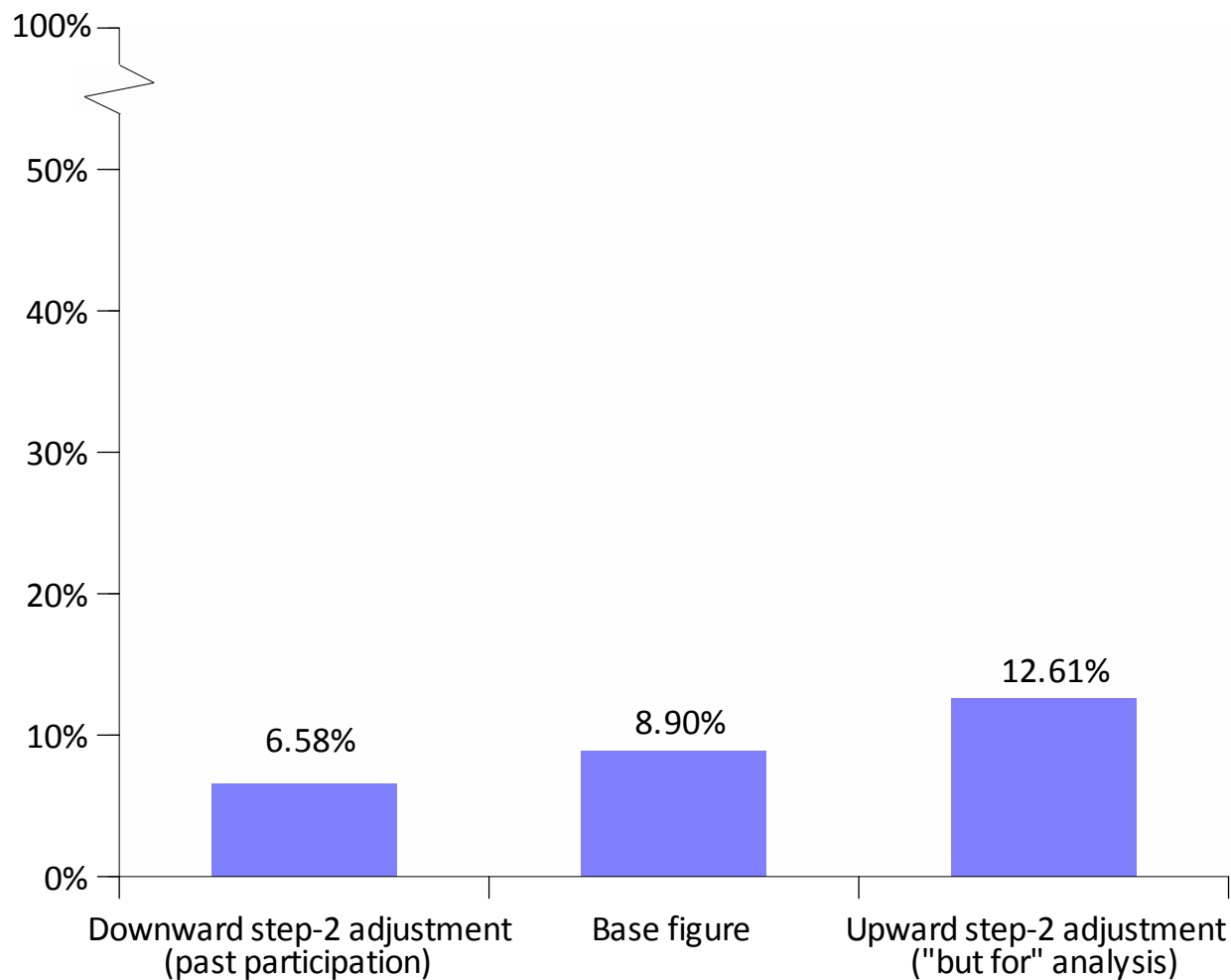
Note: Preliminary and subject to refinement

4(c). DBE availability for FAA- and FTA-funded contracts

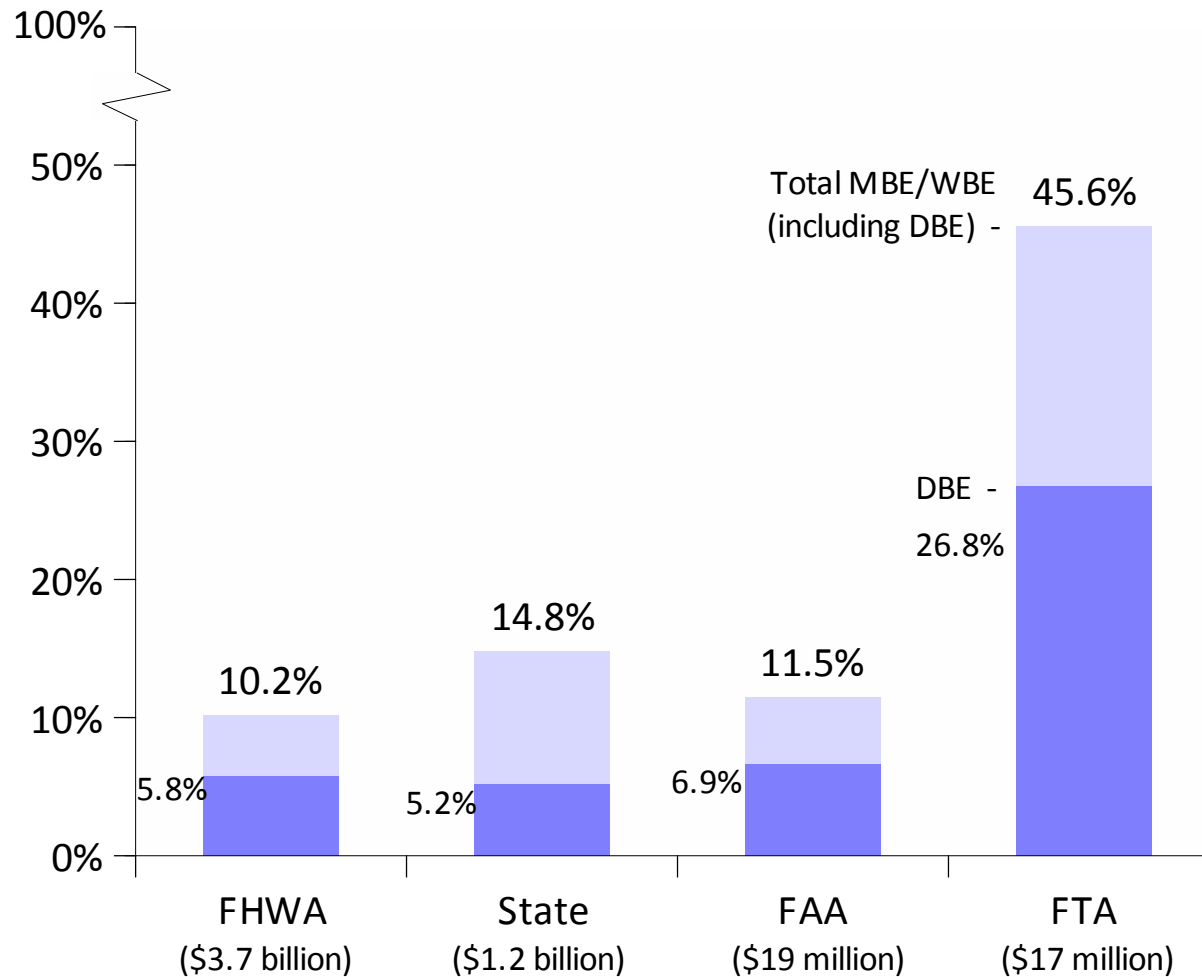
Base figure	FAA	FTA
Current DBEs	4.87 %	7.25 %

Note: Preliminary and subject to refinement

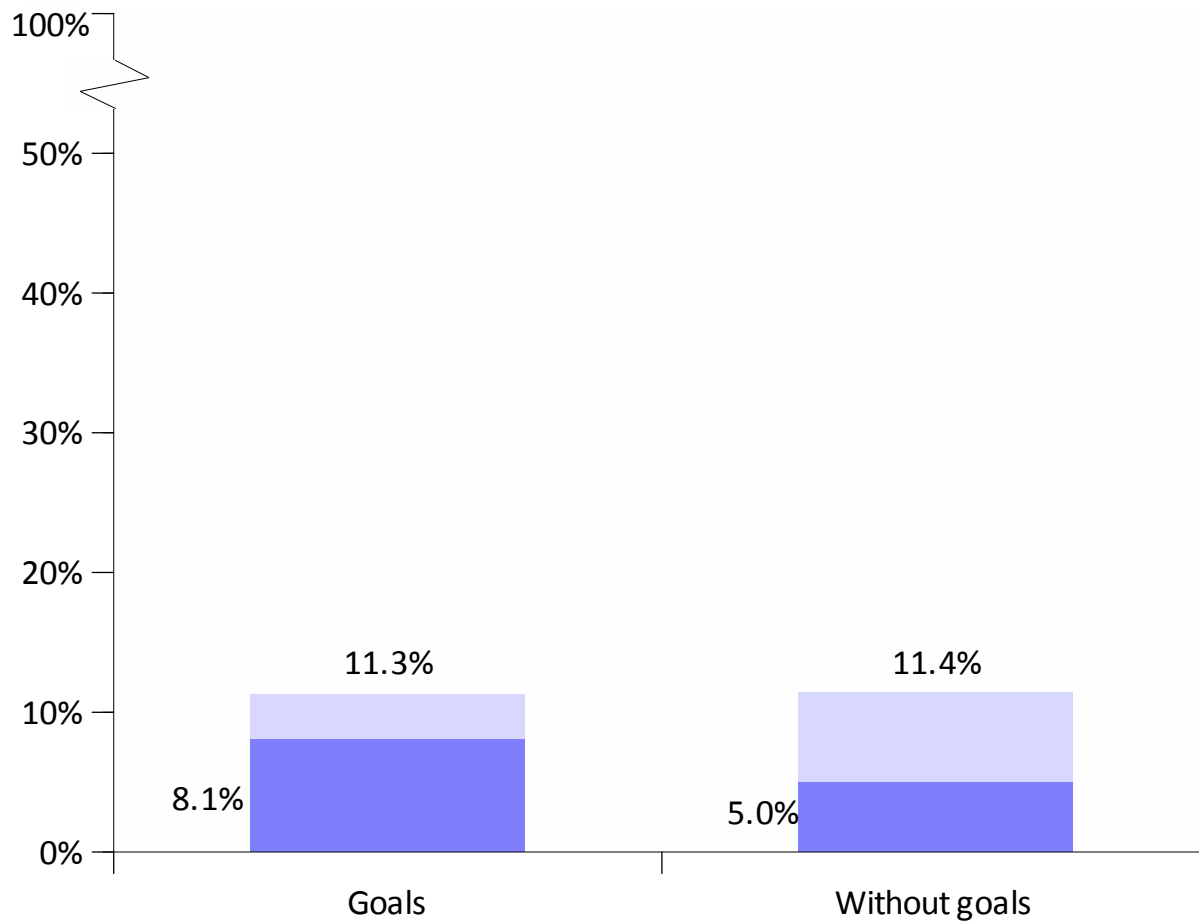
4(d). Potential step-2 adjustments to overall DBE goal for FHWA-funded contracts (preliminary)



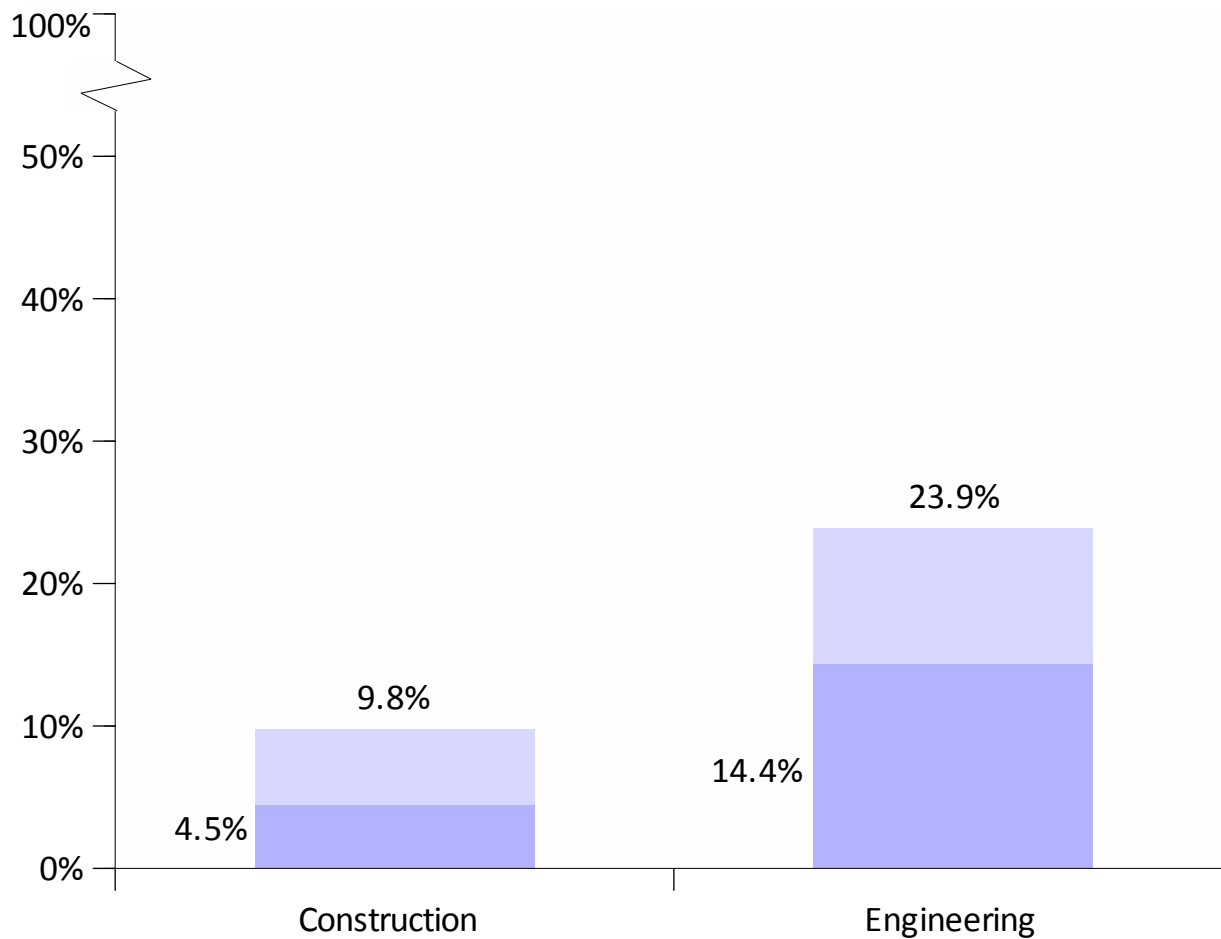
5(a). Utilization of DBEs and all MBE/WBEs on ADOT contracts, July 2007 – June 2013



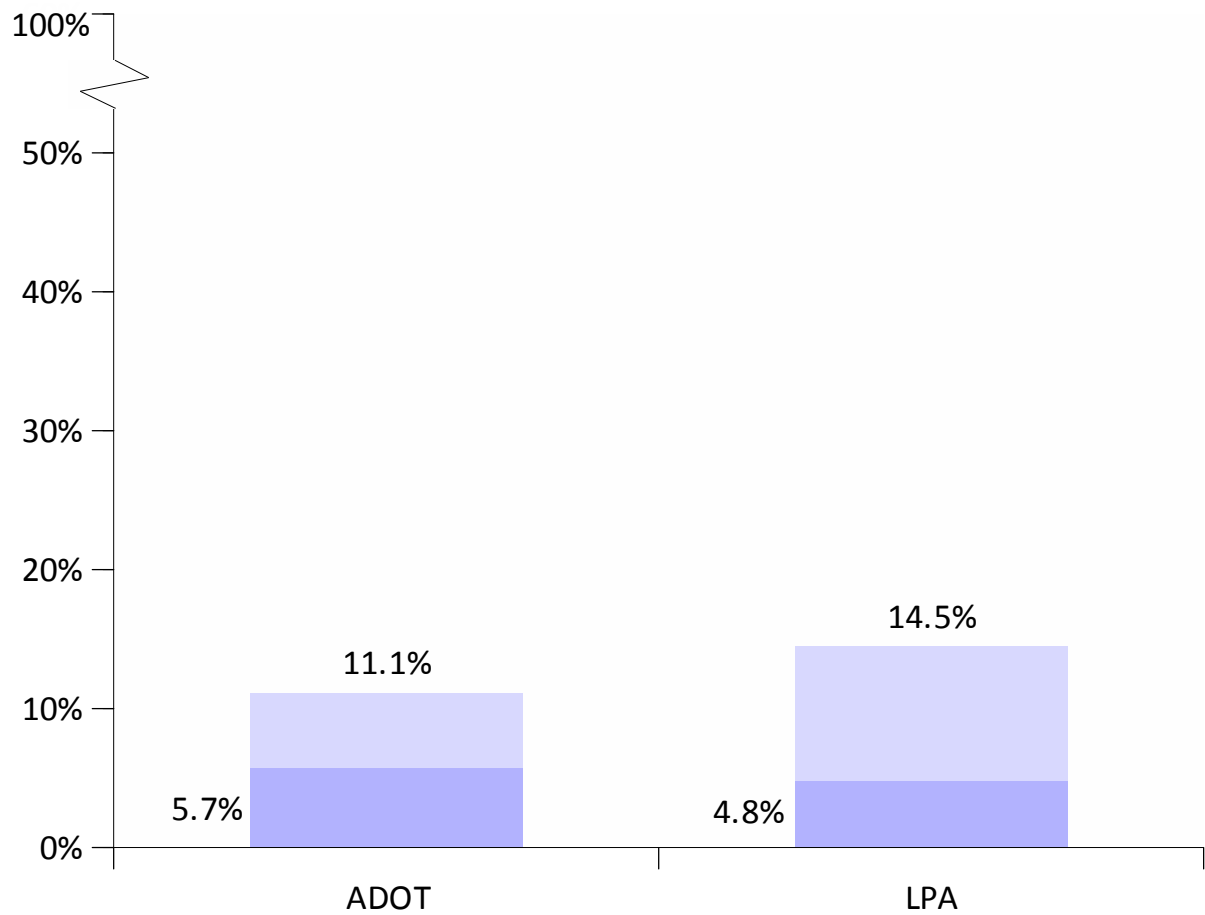
5(b). Utilization of DBEs and MBE/WBEs on FHWA- and state-funded contracts, with and without DBE contract goals, July 2007 – June 2013



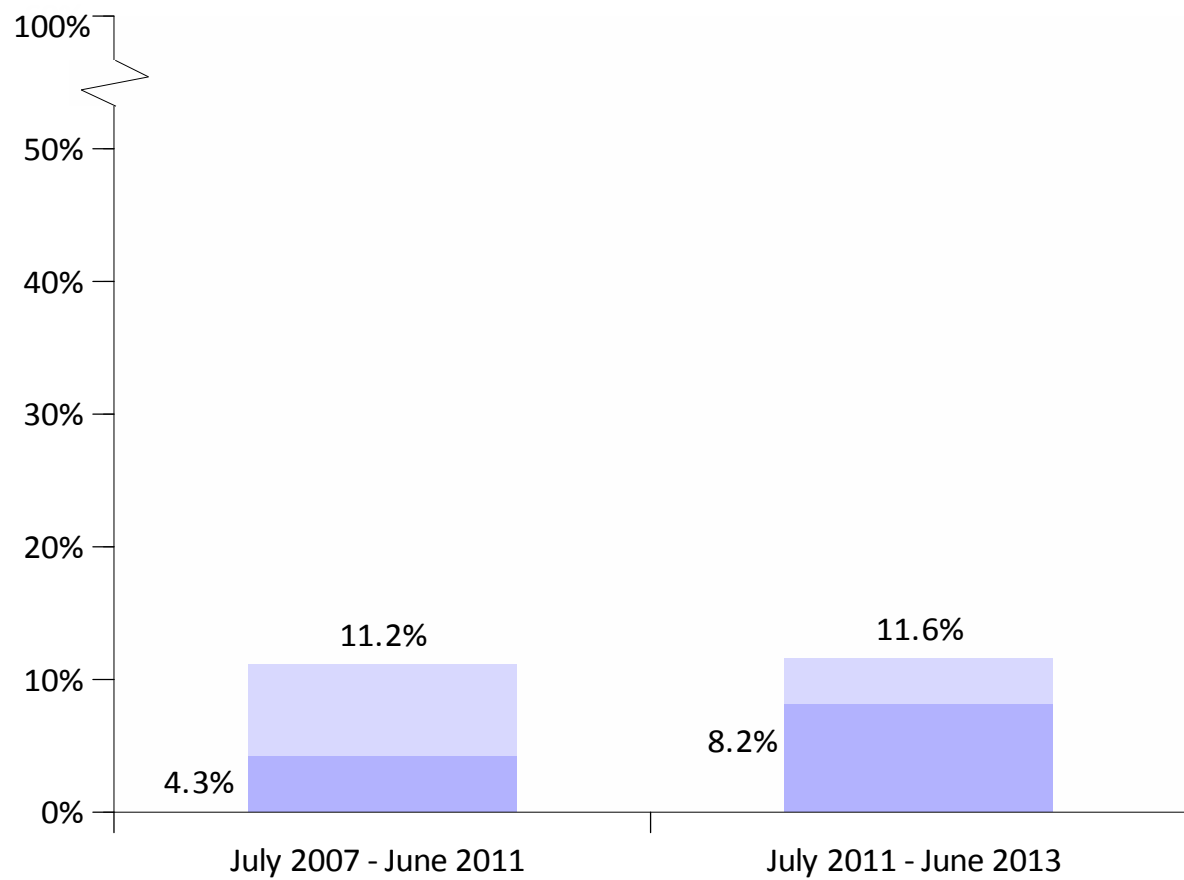
5(c). Utilization of DBEs and all MBE/WBEs on FHWA- and state-funded construction and engineering contracts, July 2007 – June 2013



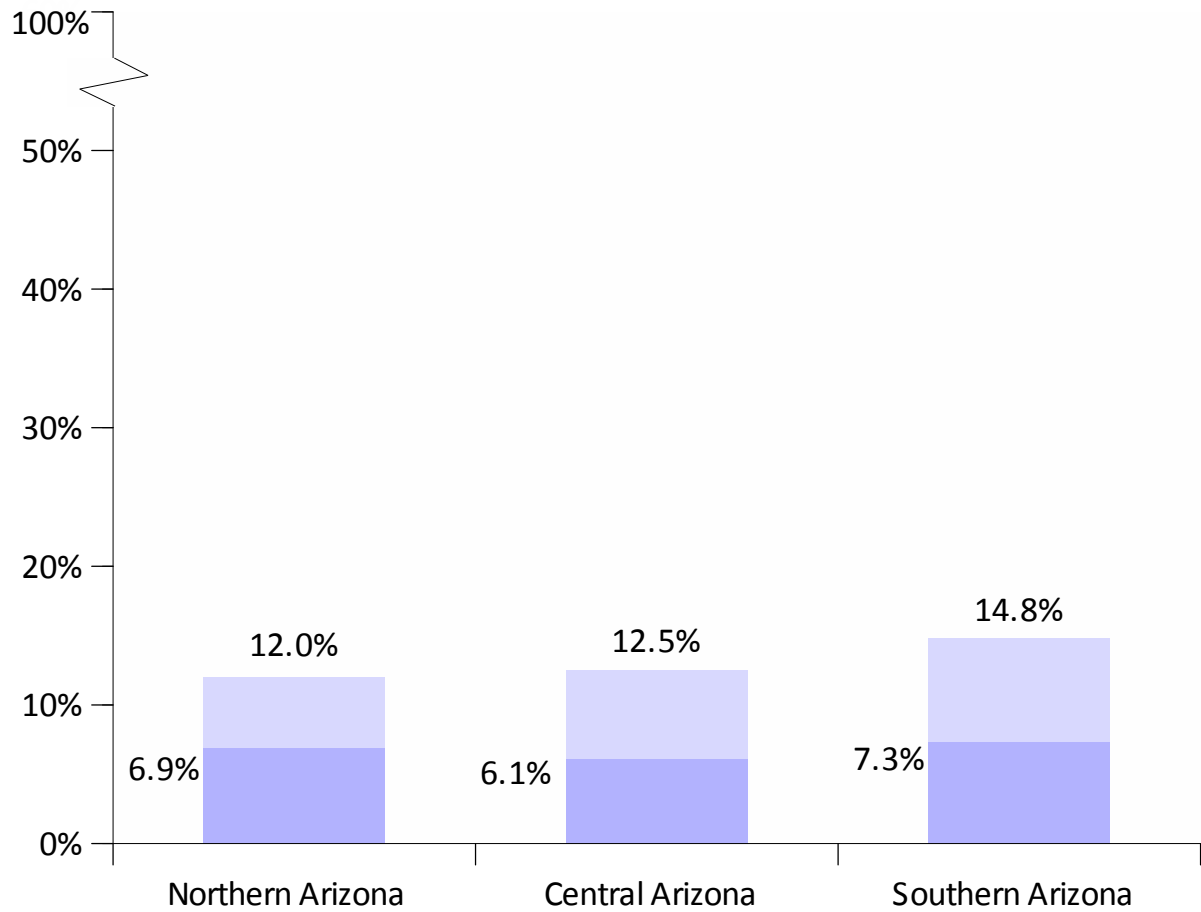
5(d). Utilization of DBEs and all MBE/WBEs on ADOT and LPA
FHWA- and state-funded prime contracts, July 2007 – June 2013



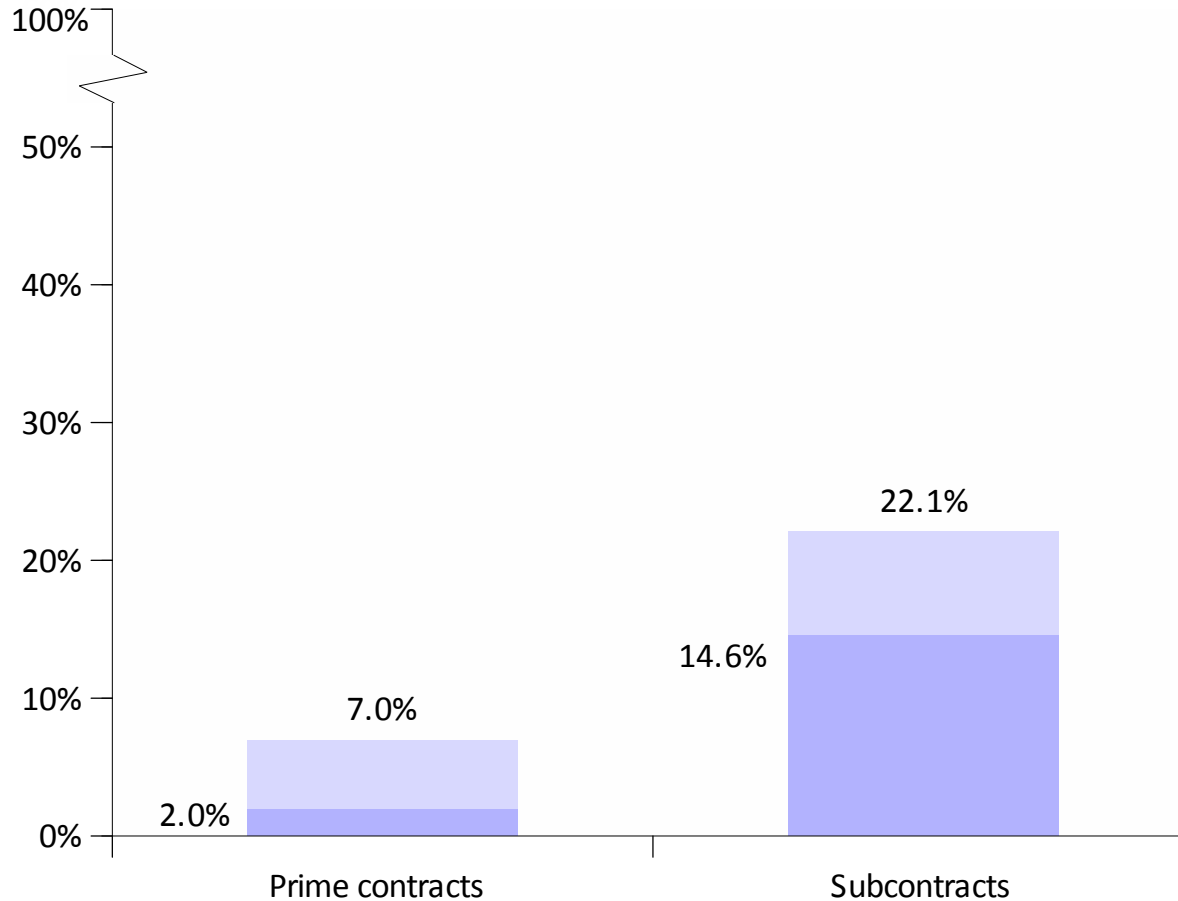
5(e). Utilization of DBEs and all MBE/WBEs on FHWA- and state-funded contracts by time period



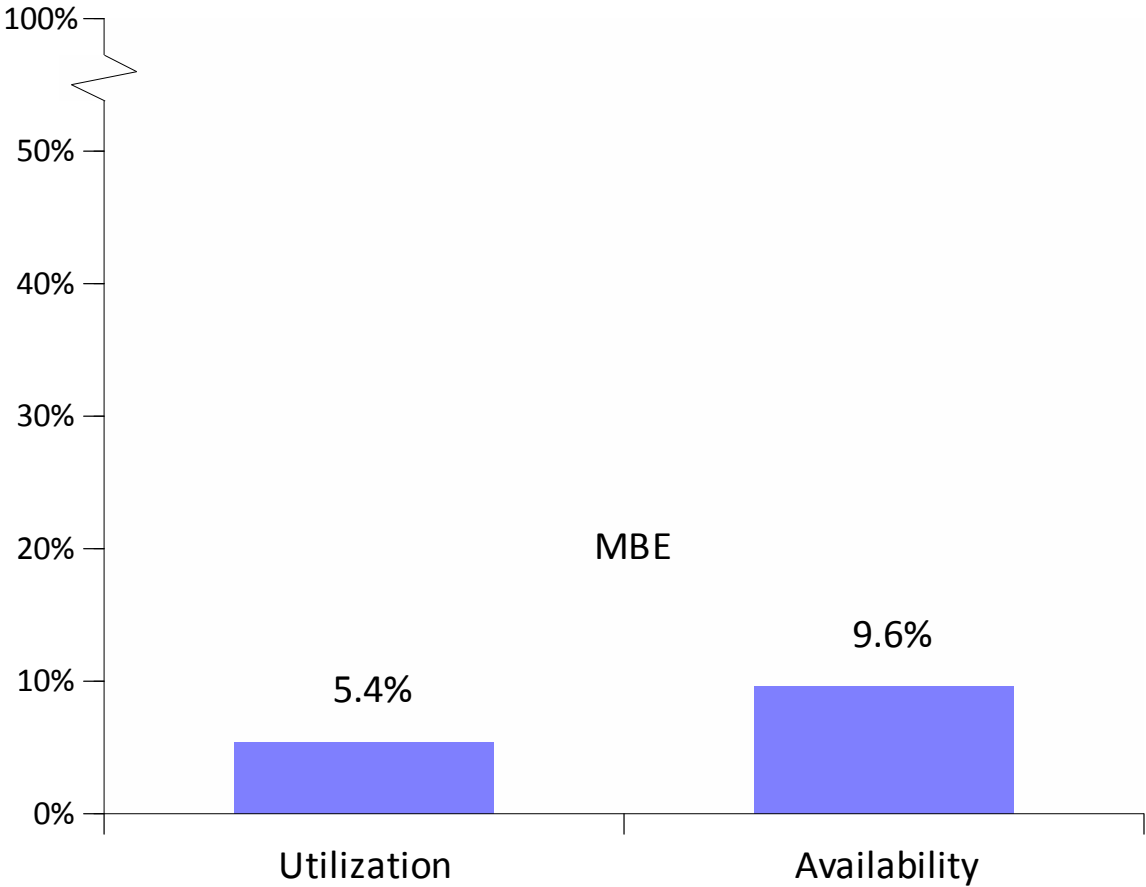
5(f). Utilization of DBEs and all MBE/WBEs on FHWA- and state-funded contracts by region, July 2007 – June 2013



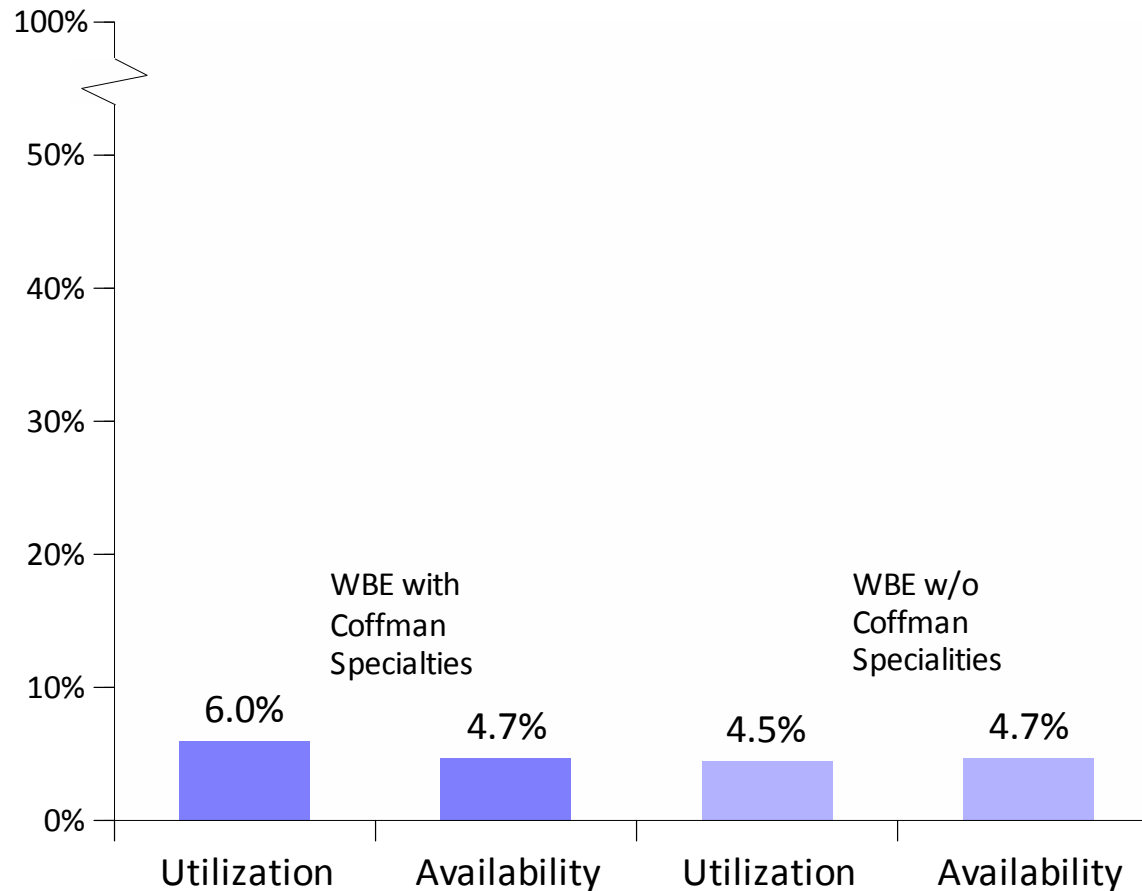
5(g). Utilization of DBEs and all MBE/WBEs on FHWA- and state-funded prime contracts and subcontracts, July 2007 – June 2013



5(h). MBE utilization and availability for FHWA- and state-funded contracts, July 2007 – June 2013

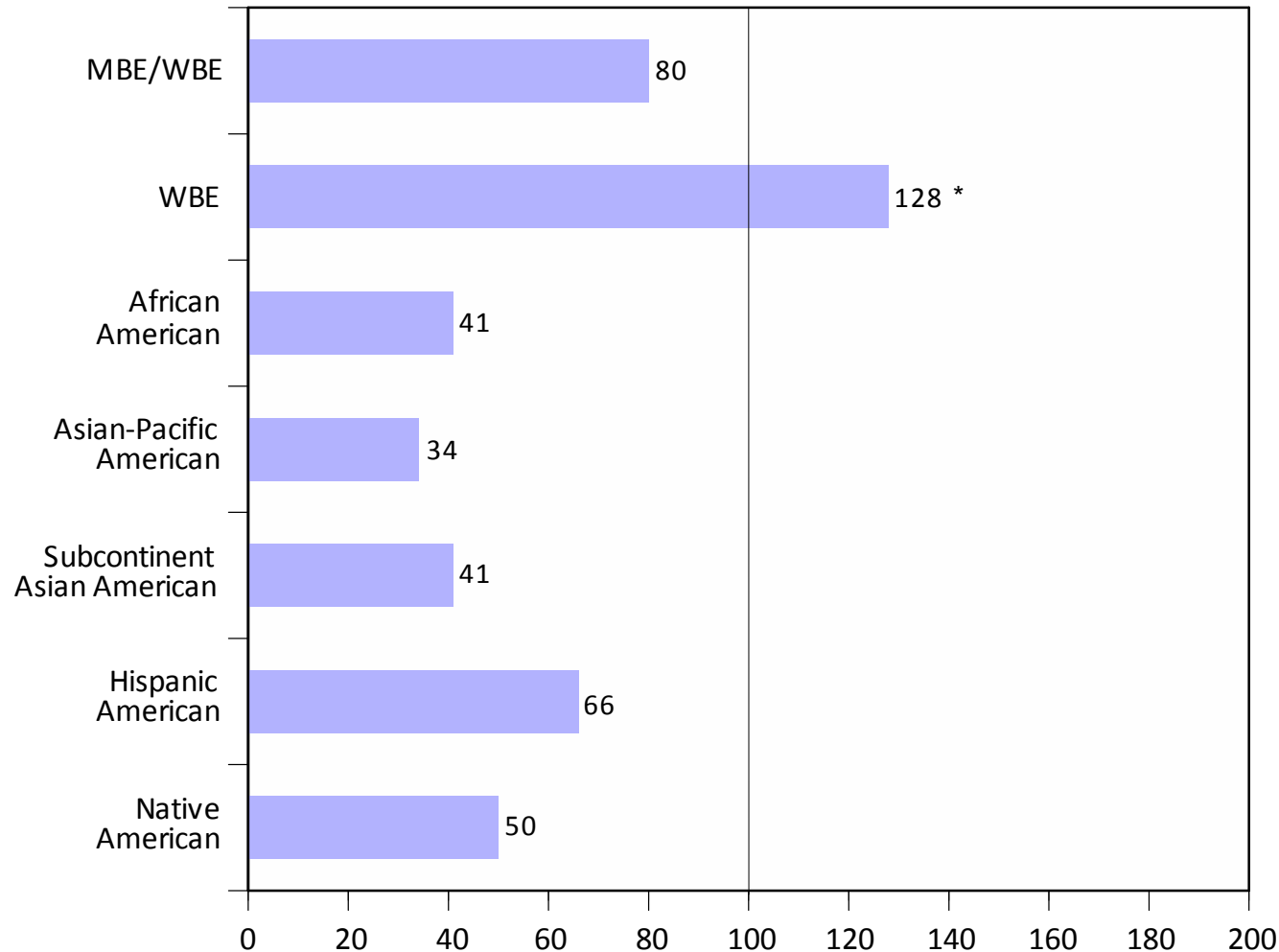


5(i). WBE utilization and availability for FHWA- and state-funded contracts, July 2007 – June 2013



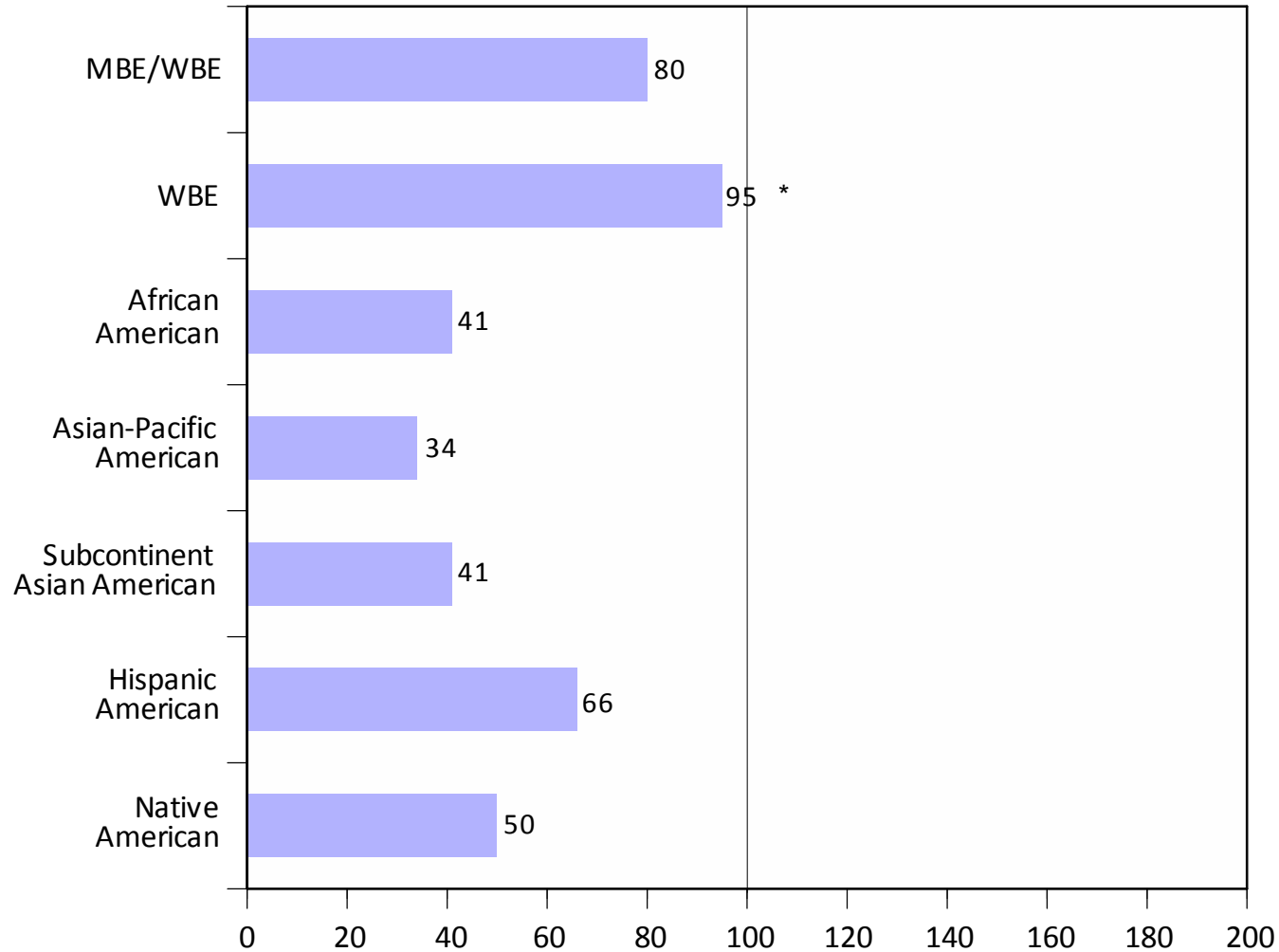
Note: One non-certified WBE from California - Coffman Specialties - accounts for \$74 million (one-quarter) of the WBE utilization (not included in the availability analysis)

5(j). Disparity indices for FHWA- and state-funded contracts, July 2007 – June 2013 (100 = parity) (preliminary)



* If include Coffman Specialties as a WBE

5(k). Disparity indices for FHWA- and state-funded contracts, July 2007 – June 2013 (100 = parity) (preliminary)

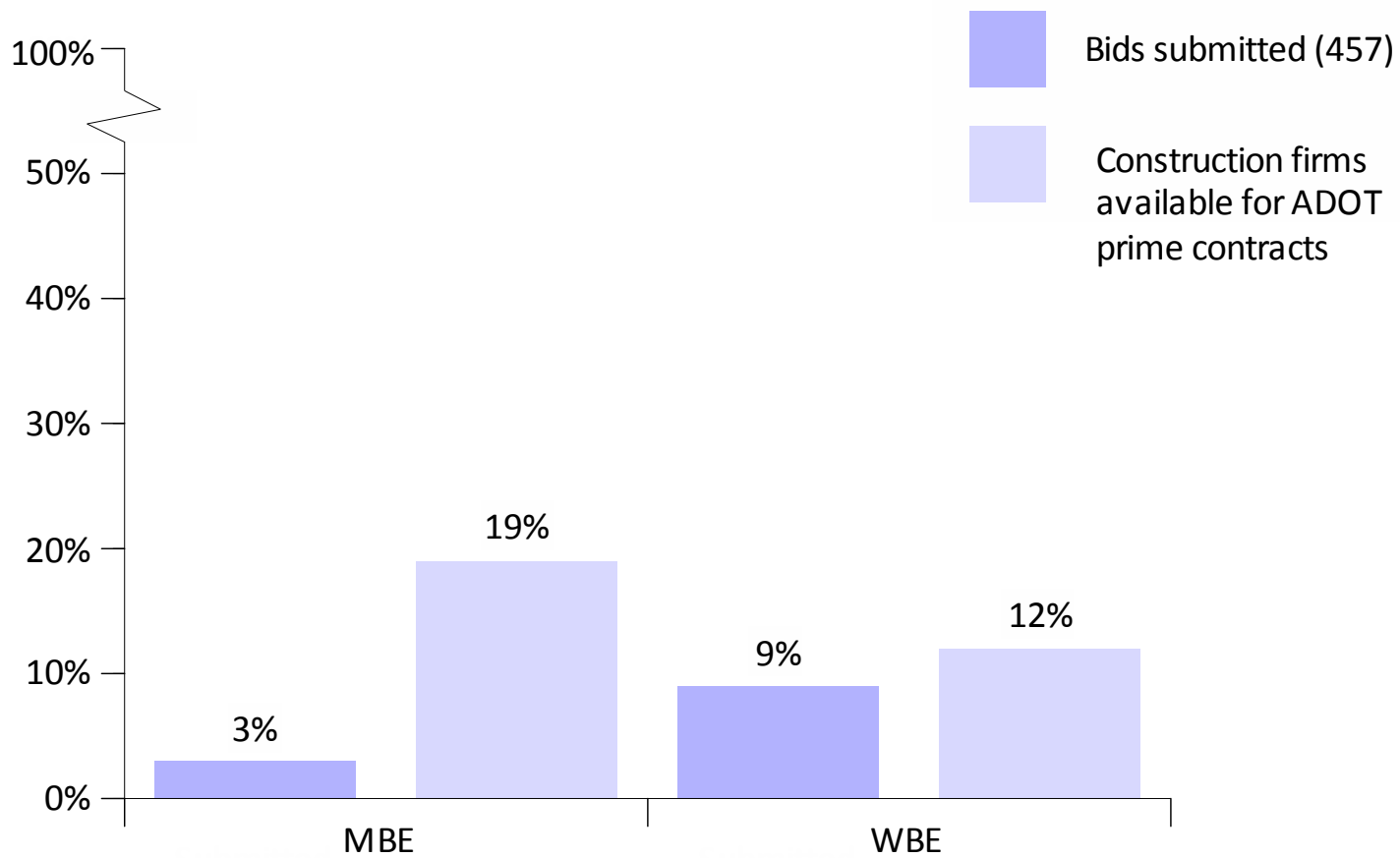


* If exclude Coffman Specialties from the analysis

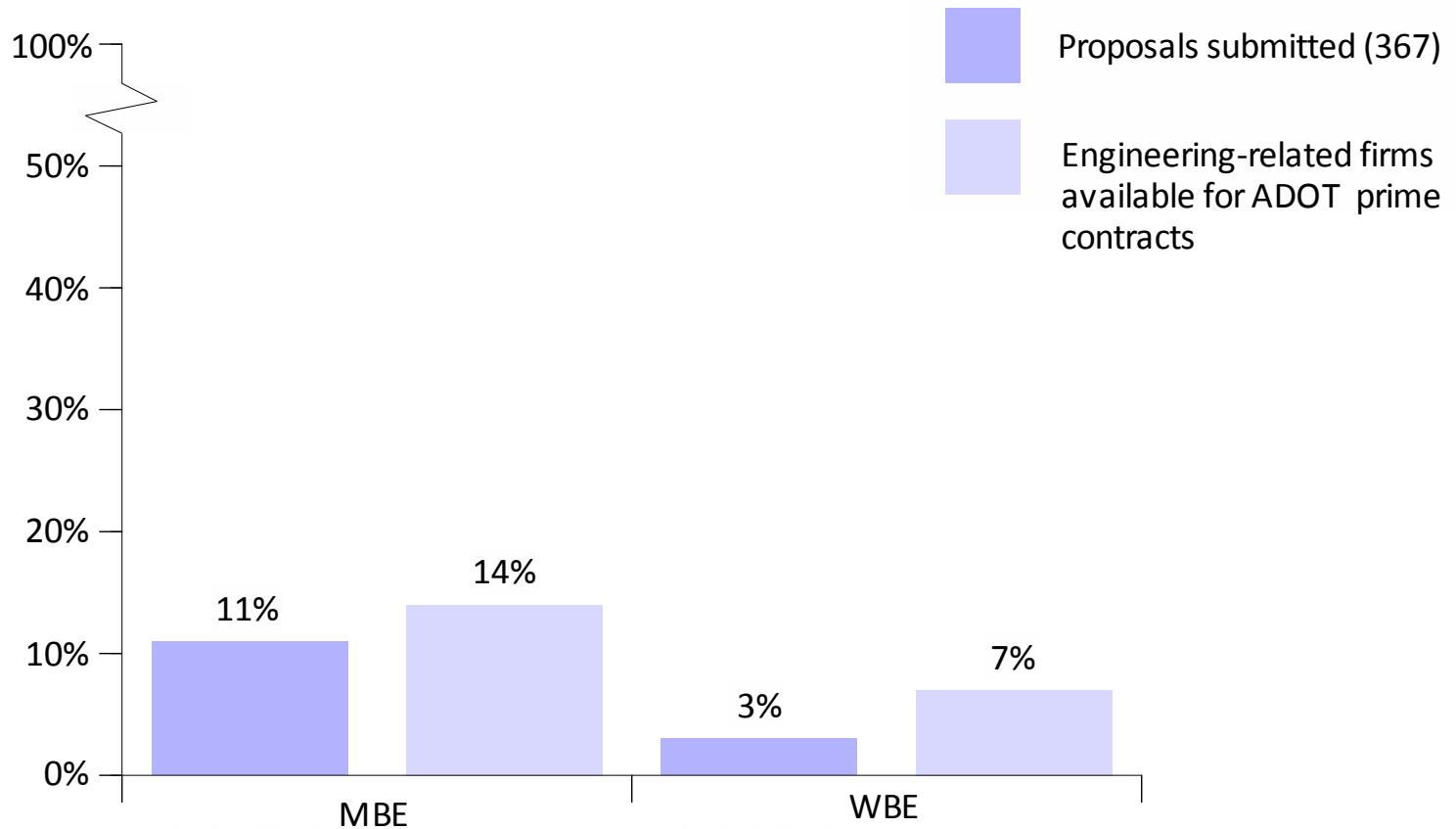
5(l). Evidence of disparities for women and women-owned firms

- Low entry into construction and engineering jobs
- Lower construction business formation rates
(regression analysis controlling for neutral factors)
- Lower business loan approval rates
- Higher rate of not applying for business loans due to fear of loan denial
(regression analysis controlling for neutral factors)
- Lower mean loan values
- Higher interest rates
- More likely to report difficulty in obtaining lines of credit or loans
- More likely to report difficulty obtaining bonding
- More likely to report insurance requirements as a barrier
- Relatively few firms awarded contracts or subcontracts of \$1 million or more
(after controlling for subindustry)
- Lower business earnings
(regression analysis after controlling for neutral factors)

6(a). MBE/WBE bids on construction prime contracts (n=66)

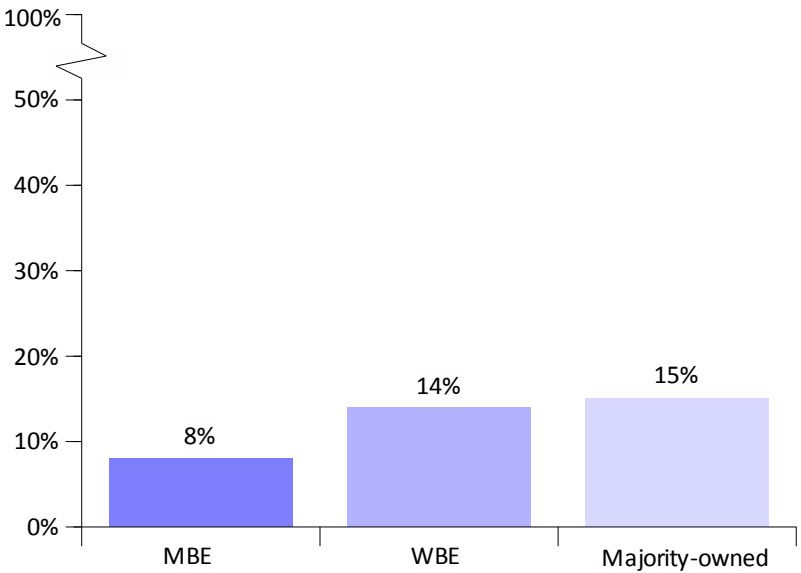


6(b). MBE/WBE proposals on engineering prime contracts (n=28)

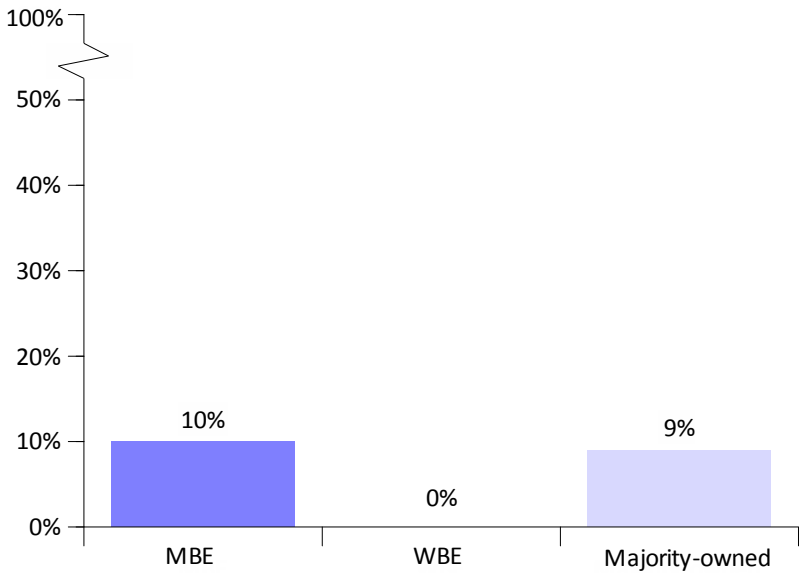


6(c). Outcomes (odds of a bid winning) from sample of bids and proposals

Percentage of construction bids resulting in awards



Percentage of engineering proposals resulting in awards



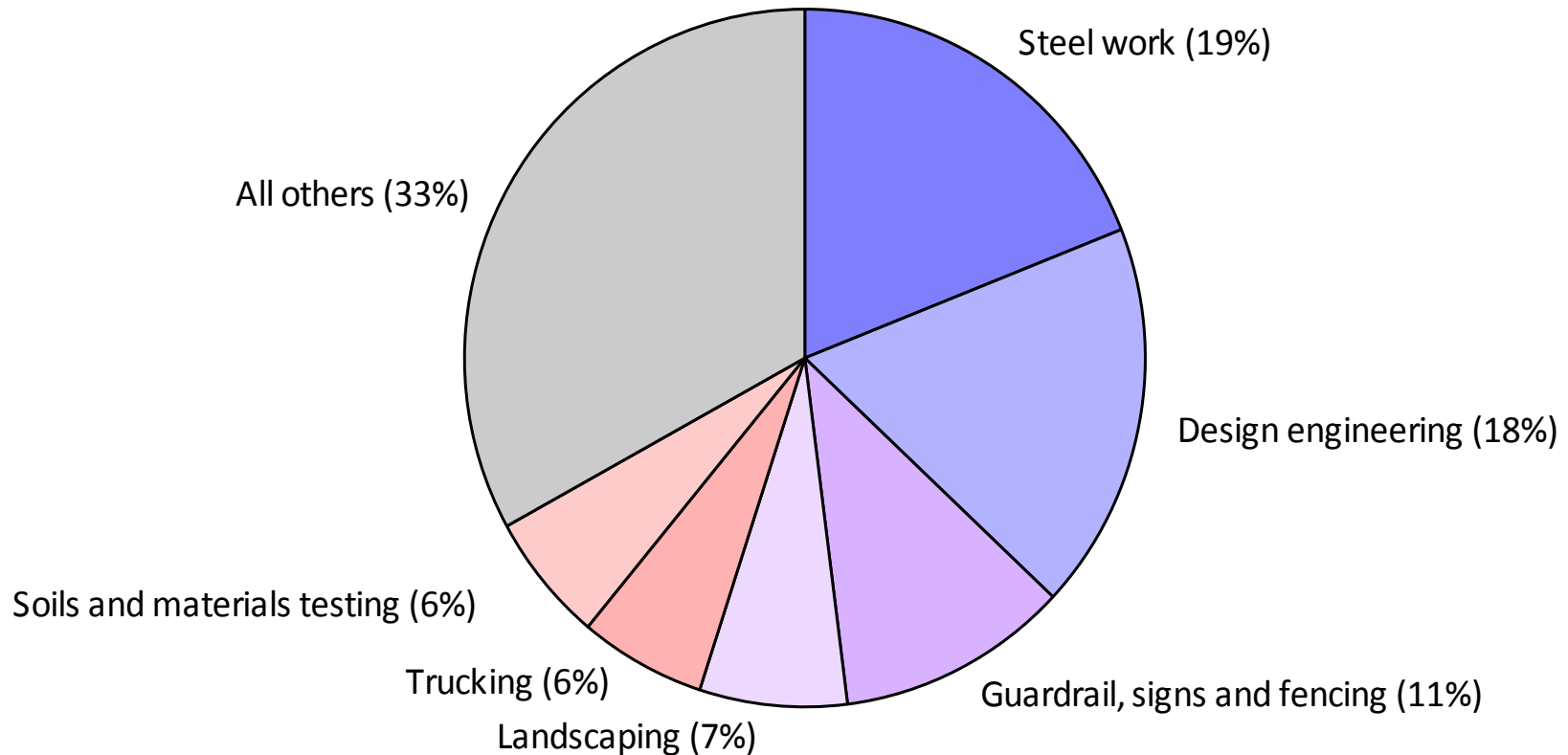
6(d). Issues identified in in-depth interviews and other research

- Access to capital
- “Good ol’ boy” network
- Bonding on public sector projects
- ADOT prequalification processes
- Bundling of ADOT work
- Evaluation criteria on qualifications-based awards
- Insurance requirements
- Prompt payment
- “Paperwork” and compliance in general

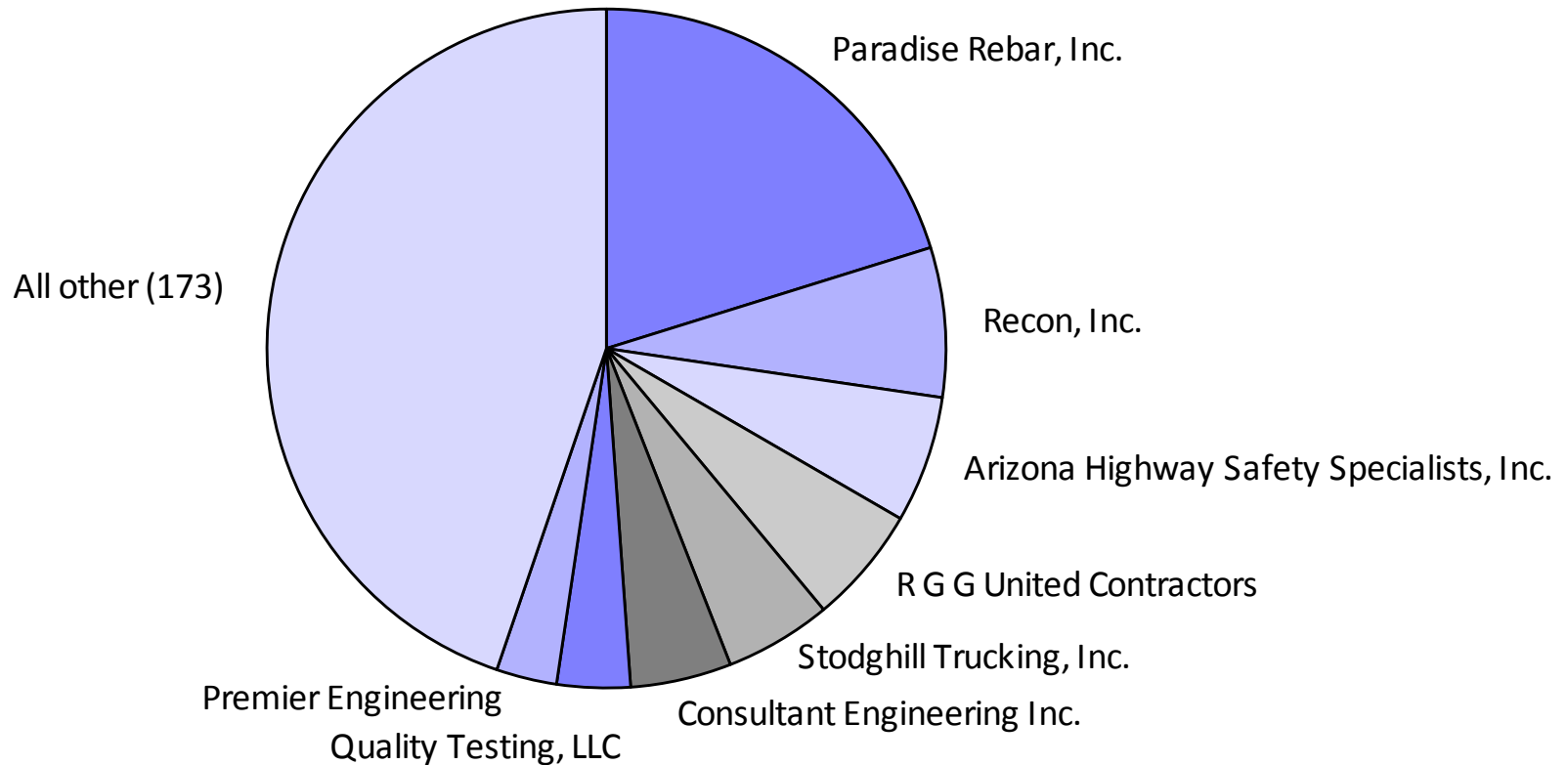
7(a). Overconcentration analysis for July 2007 – June 2013 study period

- Did not find any work categories with DBE overconcentration in study period
- No subindustry primarily composed of DBE firms
- 46% of steel work went to DBEs during study period, but Paradise Rebar no longer DBE-certified
- All other areas under 40% DBE participation (16% for trucking, for example)
- DBE participation well distributed across types of work
- However, results are for study period ending June 2013 ... Conditions can change as certain firms become certified and others graduate

7(b). Work types for DBE participation during study period – total dollars on FHWA-funded contracts, July 2007 – June 2013

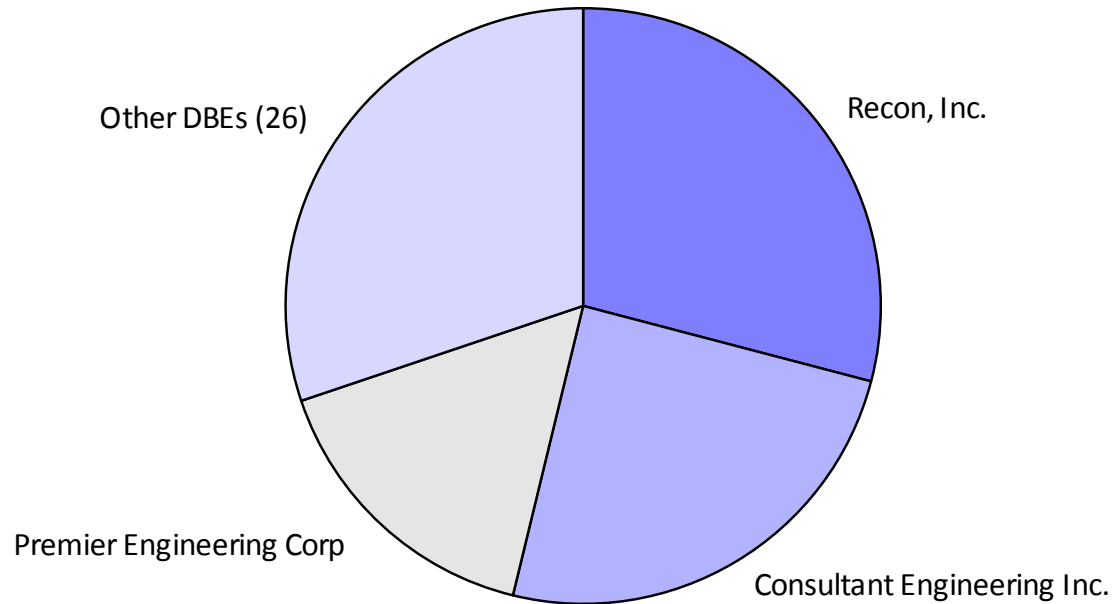


7(c). DBEs during study period – total dollars on FHWA-funded contracts, July 2007 – June 2013



n=11,348 prime contracts and subcontracts

7(d). Dollars of FHWA-funded prime contracts won by DBEs, July 2007 – June 2013



Note: Based on retained prime contract amounts
n=66 prime contracts

8. Tentative meeting schedule

May

- 18th External Stakeholder Group
- 26th Joint PS/Construction Task Force
- 28th LPA Group meeting

June

- 8th Public draft report/overall DBE goal for FHWA and FTA, press release

July

- 8th, 13th, 14th, 16th Public hearings in Flagstaff, Yuma, Tucson and Phoenix
- 20th Close public comment period
- 30th Review public comments
- 31st ADOT finalize overall DBE goals and submit to FTA
- ADOT also submit any revisions of DBE goal to FHWA